

January 11, 1967

H 89

The President last evening pointed the way for us in this Congress. He has told us of his resolve that we shall meet our commitments at home and abroad. I believe that this is also a resolve that most Americans share.

As the President recommends, there are programs to be improved and strengthened. This I trust will be done. There are new suggestions, ideas and policies to be debated and discussed. I am confident this will be done.

The President has set before us a challenging program. It is a program I believe the American people want and need. The Congress should endorse and support his efforts to improve the poverty program, to increase social security benefits and improve the social security program, to continue the effort we have made to control air pollution, to bring about election reform, and to continue our attack on crime. I am sure the Congress will meet its responsibility in giving the most careful and urgent attention to the President's proposal for a temporary surcharge on corporate and individual income taxes to better enable us to properly meet the needs of our people at home while carrying on our great burden in Vietnam.

Mr. Speaker, I congratulate the President on his great message. I hope the House of Representatives will act quickly on these proposals so vital to the American people.

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

Mr. ALBERT. I yield to the gentleman.

Mr. ARENDS. I wonder if the majority leader can tell us about the program for the balance of this week, if he has anything in mind or if we are going to meet tomorrow and adjourn over or whatever the situation may be.

Mr. ALBERT. So far as I know that is the situation; it is planned to meet only for the purpose of adjourning over to meet on Monday.

Mr. ARENDS. I thank the gentleman from Oklahoma.

SAN FELIPE DIVISION, CENTRAL VALLEY PROJECT

(Mr. GUBSER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GUBSER. Mr. Speaker, yesterday I introduced legislation to authorize Federal construction of San Felipe division of the Central Valley project. I have been joined in sponsoring this project by three of my California colleagues, the Honorable B. F. SISK, the Honorable DON EDWARDS, and the Honorable BURT TALCOTT.

This proposed division has had long and careful study by the Federal Bureau of Reclamation under the authority of a bill sponsored by our late colleague, the Honorable Clair Engle and me. Cost of the study has been shared equally by the Federal Government and a local public agency. It has been cleared by all levels of government including the White House and the Budget Bureau.

When completed the project will feature a 10.3-mile tunnel which will take water from the San Luis Dam and divert it across a part of the coastal range to four counties of central California. Approximately 2 miles of the tunnel have already been completed under authorization of the San Luis project since it would have been virtually impossible to construct the inlet and first reaches of the tunnel once the San Luis Dam was filled.

In introducing this bill we recognize that the legislation does not in its present form address itself to the difficult problem of how to apply the acreage limitation provisions of reclamation law to this project where much of the project water is to be percolated underground and mingled with non-Federal ground water resources. We believe the matter should be fully considered by the Interior and Insular Affairs Committee in the course of its hearings. Some guideline for the application of excess lands provisions to the unique physical situation of the San Felipe division should be developed and provided the Department of the Interior, and the committee under the able leadership of the gentleman from Colorado, Chairman WAYNE ASPINALL, is best qualified to develop it.

(Mr. LAIRD asked and was given permission to address the House for 1 minute.)

(Mr. LAIRD addressed the House. His remarks will appear hereafter in the Appendix.)

(Mr. RUMSFELD (at the request of Mr. DUNCAN) was granted permission to extend his remarks at this point in the Record and to include extraneous matter.)

(Mr. RUMSFELD'S remarks will appear hereafter in the Appendix.)

AMENDMENT TO THE IMMIGRATION AND NATIONALITY ACT

(Mr. CURTIS (at the request of Mr. DUNCAN) was granted permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, I am today reintroducing two bills, one of general application and the other a private bill dealing with our immigration laws. Both of these proposals act in the field of the waiver of the 2-year foreign residence requirement for those who are in this country as exchange visitors.

I agree with the basic philosophy of our exchange program; namely, that visitors who come to this country as exchange students are here to learn a skill which they can take back to their home country for the use of that country and its people. I believe it would undermine this important program if we were to be too liberal in allowing those who have come to this country to remain here and thus to deprive their native countries of their talents. Nevertheless, this should not be an inflexible rule and, indeed, some ex-

ceptions to it have been developed. There are exceptions in two specific areas, one where the 2-year foreign residence would create an extreme hardship on a citizen of this country or an alien here on a permanent resident visa and the second is in the case in which some governmental agency will sponsor the specific individual because of their need of him in the agency's work.

What I am suggesting today in my general law is that a further area of exception be recognized. Basically it would permit those who have come to this country as exchange visitors to remain here without having to reside in a foreign country for 2 years when, due to a change in their home country, it would be dangerous or impossible for them to return. Perhaps the best example of this would be in the case of an exchange student in this country from Cuba at the time of the rise of Castro to power in that country. To order one outspokenly anti-Communist to return home in such a circumstance might mean his death. As the law presently reads it does not require that the exchange visitor return to his native country for this 2 years of foreign residence. It permits him to go to any other cooperating country in the program. The theory of the exchange program is to permit the native country to benefit by the training given one of its citizens. I do not believe that it would be harmful to our program of exchange education if we were to say that when the person cannot return to his native country he will not be forced to go to some third country where he has no roots simply because we feel that our exchange program is better served by helping his native land. When these visitors cannot return to the country of which they are citizens and their skills can be used in this country, I see no reason why we could not retain them in the United States to benefit by the training which they have had.

DR. LEO HSUEH

(Mr. CURTIS (at the request of Mr. DUNCAN) was granted permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, the second bill I am reintroducing is one which fits into the general principle of my proposal to amend the present Immigration and Nationality Act regarding the waiver of the 2-year foreign residence requirement in certain hardship cases such as that of Dr. Leo Hsueh.

Dr. Hsueh is a native of China, who fled from the Chinese mainland at the time of the Communist takeover of that country. Since that time, Dr. Hsueh has been traveling throughout the world—with roots in no land. He came to this country on an exchange program from West Germany. He has no country to which he could return. This is one example in which I believe the general policy which I have mentioned previously today could well be applicable. There are others and I have sponsored private legislation for a number of these individuals. However, I believe that it

would be wiser to make a general exception in this area and leave determination in the individual cases to the proper administering authorities.

GOV. CHRISTIAN A. HERTER, FIRST SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

(Mr. CURTIS (at the request of Mr. DUNCAN) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, his absolute integrity and insistence on scholarship, regardless of its outcome or whom it affected, were among the qualities Gov. Christian A. Herter brought to his post as the first special representative for trade negotiations of the President of the United States. When Governor Herter died on December 30, 1966, the Nation lost one of its leading statesmen.

I was privileged to work closely with Governor Herter in my role as congressional delegate for trade negotiations during his tenure as a member of the House of Representatives and as Secretary of State. His contribution in his last appointment was, I believe, perhaps his greatest. His full recognition of the need for an independent trade adviser to the President was complimented by the evolution under his guidance of a new structure of decisionmaking in the trade area, one that utilized the knowledge of American business and labor and will remain as a pattern for the future sound conduct of international economic policy in a world ever more closely interconnected. His capabilities were equal to the demanding task of representing the United States in the extremely difficult and controversial Kennedy round trade negotiations at Geneva, a task which was a considerable personal sacrifice but which he felt he must complete.

Governor Herter represented at its best enlightened, responsible Republican internationalism. His careful use of the substantial powers delegated to him, his steady guidance and statesmanship will be severely missed by the U.S. delegation for trade negotiations in this history-making year in the U.S. reciprocal trade program.

THE POLITICAL ECONOMICS OF 1967

(Mr. ASHBROOK (at the request of Mr. DUNCAN) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. ASHBROOK. Mr. Speaker, in view of current interest regarding the economic health of the Nation at the present time, I believe the following address by Dr. Pierre A. Rinfret, chairman of the board of directors and head of the economics division of the Lionel D. Edie & Co., Inc., is informative and therefore include it in the RECORD at this point:

THE POLITICAL ECONOMICS OF 1967

(By Dr. Pierre A. Rinfret, chairman of the board of directors and head of the economics division, Lionel D. Edie & Co., Inc., November 1, 1966, Los Angeles, Calif.)

Gentlemen: The year 1966—the balance of this year—and the year 1967 will be more shaped by political and military considera-

tions than by economic considerations. The trend of business, the direction of business, the level of business will be shaped more significantly by political desires and by military desires than by pure economic desires. This is one of the reasons I am going to spend some time on what you might call political economics because I think the message is coming through loud and clear about what is happening in this country. I will say this to you in advance. Economic decision in 1967 will be superseded by political decisions. All economic decisions will be secondary to political motivation. This includes the elections this November and, if you might begin to think of it, the elections of the year 1968. Political considerations will dominate over economic considerations.

Today, the Federal Government is acting from three to six months behind the economic facts in the economic moves it makes. I call this the "Reiterson Syndrome" after economist Roy Reiterson. It is a simple concept which says that the Federal Government will act only after the facts. It reminds me of a simple parallel. The Government is driving a car down the road of the economy watching its rear view mirror, which is the unemployment spectre, rather than looking ahead to the road of inflation which is developing. It is more concerned about what is behind it than it is with what is in front of it. The Reiterson Syndrome is not only true of the United States but, much more important, it is true in the United Kingdom today and, rather surprisingly, is becoming significantly true in the country of Germany. And you have the politicians acting after the facts—and after quite a bit of time has passed, rather than in advance. You might say it this way. The enthusiasm for stimulating an expansion is not matched by a willingness to restrain an expansion. We see enthusiasm to stimulate; reluctance to restrain. And I think this is critical.

And this brings me to several basic points. Every day the Federal Government is a more important factor in our daily lives and because of the fact that from a dollar standpoint it gets bigger and bigger and because we are able to see every day of the week that what it does has meaning to us not only as a nation but as individuals, there has been a natural turning toward Washington for economic forecasts. And more and more people look to the Federal Government to say what they think is going to happen in the American economy. I don't know if you realize it but two months ago Mr. Johnson took a very straightforward position on the 1967 economy. He said one fact—that Gross National Product in 1967 will be up \$50 billion over 1966. Now in my book if you are talking \$740 to \$790 that's a 7% increase in the American economy which the President decided last July. This forecast was not made on the basis of economic facts. It was in reality a statement of political position. One of the founders of our company used to tell me "You know, Pierre, no one cries 'rotten fish' on Friday. No one cries anything except expansion prior to an election." And the best example of this, as you may remember, was in the Fall of 1960, when Mr. Nixon was running for Presidency of the United States. In October unemployment in the United States went up 400,000 actual. And Mr. Nixon at that time was asked if the United States was going into a recession and he said "of course not. The United States is in a period of dynamic expansion." There was one little flaw in that. The recession had started in March, 1960, and here he was talking about a recession that wasn't going to come, and in fact, a country that was continuing to expand. What I am saying to you is this: All economic statements by the Administration at this time are statements largely influenced by political belief and not statements of economic analysis.

Now, this brings me to a key subject—not the only one but a critical one. What is the outlook for capital investment in the United

States. I've had a lot of fun in the last three or four weeks of dodging, if you will, arrows, barbs, bullets, you name it, on the subject of capital investment in the United States. As you may know, every September now for fourteen years we've gone out and asked a broad sample of American industry "How much are you going to spend on capital expenditures next year?" We ask them "How much will you spend on capital expenditures next year in the United States and how much will you spend on capital expenditures abroad?" This is the first survey of capital spending and covers roughly 55% of all the dollars actually spent by industry in the United States. We think this is a good sample from a statistical point of view. There has been a lot of talk all over this country by some eminent economists that our survey covers only our clients. Now I'd like to rejoin to that. First of all, that would be a good sample. But, second of all, it is not true. We don't cover only our clients. In fact, you may be amused to know that the companies we have the hardest time getting answers from are our clients. We cover a broad spectrum of American industry. Third of all, this survey is not a forecast. We are reporting to you what industry says to us. Now, if industry is lying, the figures are going to be wrong. But industry doesn't lie. Industry does change its mind. And you know, after all, if economists can change their minds, industry can, too.

Our survey is the first available survey of capital spending in the United States. It's got fifteen months built into it. McGraw-Hill is thirteen months in advance. The American Government does its survey in March for the next nine months and then wonders why they get better results than private industry which does their surveys months earlier. Well, why am I bringing this all out? I am bringing this out to face up to a very simple fact that many people looked at our results for 1967 and either disbelieved them or, if they didn't disbelieve them, immediately began to cast doubt on the validity of the survey. Why are they upset? They are upset for one reason. Capital investment in 1967 according to the results of the survey will be up 3%. In 1966 capital spending was up 17%; in 1965 capital spending was up 15%. Is 3% going to be right? Is it going to be 4% or 5% or 6% or 2%? It could be. Does the survey give you an exact number? No. And anybody that's ever heard me talk over the past six years knows that I've taken that position consistently. What does the survey say? The survey says one critical fact. The boom in capital spending is over. It is finished. Big increases are no longer in the works. It also says it will be very hard for American industry to raise capital investment beyond the first quarter of 1967. If you take a 3% increase over this year's figure of \$61 billion—3% would give you \$63 billion for next year and the first quarter of 1967 will be \$64½ billion. So either you are going down by quarters in 1967 or, as a minimum, you will stabilize. And this means the boom is over. And I think this is critical. It is not realized in the United States that in fact the last four years have been carried by the capital expenditure sector. Let me make one point to you. You take the Index of Industrial Production for capital goods. You take it in 1961 in mid-year. It was 110. In the middle of 1966 it was 185, a seventy-five percentage point expansion from 1961 to 1966 in five years. Seventy-five per cent in the production of capital goods in five years.

Now you've got to admit that's pretty good. Consumer goods in the same period went from 110 to 145—a thirty-five percentage point expansion. What has not been realized is that the American boom since 1961 has been primarily the result of a boom in capital investment. And in particular the last two years have hinged on this critical area. And I am very simple-minded. If the boom in capital investment is over, the implication is clear that the resounding boom for the